

Edmonton

Office Market
Q3 2018

Stantec began as a one-person company in 1954. Now 1,500 Edmonton-based employees will occupy 19 of 69 storeys in Western Canada's tallest building.

Tenants on the Move

The long-anticipated opening of Stantec Tower will commence in the fourth quarter of 2018, as **Stantec is set to occupy 460,000 sf in Western Canada's tallest building**. The engineering and consulting company will vacate a total of 378,000 sf comprised of Government district class A space - 189,000 sf in Stantec Centre and 131,000 sf in the Devonian Building - and 58,000 sf from Stantec 2 (now known as The Annex) in the Financial district.

Rounding out 2018, PwC will be vacating 42,000 sf in TD tower and move into 51,000 sf in the upper floors of Stantec Tower. DLA Piper will also join the tenant list in the new tower and occupy 25,000 sf, while vacating 24,000 sf in Scotia Place. Looking ahead to 2019, Dentons will relocate approximately 62,000 sf from Manulife Place into Stantec Tower.

Elsewhere in the Financial district, **UK video game developer Improbable leased 12,000 sf** in the historic Metals

Building on 104 Street and 102 Avenue. The growing tech company's decision to select Edmonton for its North American expansion is another step forward for the city's burgeoning tech industry.

In Commerce Place, beginning in the fourth quarter, the **Government of Alberta is expanding their occupancy to 490,000 sf, growing by 70,000 sf** on their existing 420,000 sf footprint.

The net effect of all Stantec Tower's tenant movement on Edmonton's downtown market will be **91,000 sf of positive absorption**. As a result from the recent construction of three new office towers within the past three years - Enbridge Centre, Edmonton Tower and Stantec Tower - the resulting increases in vacancy will essentially serve as the high-water mark going forward. For the foreseeable future, there will not be any significant additions to the office inventory. With modest growth from office tenants, we

Tenants on the Move (continued)

predict vacancy rates will gradually decline over the next 24 months. However, there will be continued downward pressure on rental rates for lower tier buildings.

Supporting the office market are numerous projects planned for downtown. These include high-rise residential towers, hotels and retail to meet the growing demand of workers and residents downtown and the neighbourhood's increased social interest. With more people living, working, getting educated and socializing downtown than ever before, we expect continued, albeit tempered, positive momentum for the foreseeable future.

Suburban markets are experiencing the most construction activity since 2014 as several projects are expecting completion before the end of 2018. Similar to the downtown districts, the additions to the office inventory are elevating vacancy rates in the short term; however, the market outlook expects to see a gradual decline as users relocate and expand into enhanced spaces.

In the south side district, the 29,000 sf DDC Professional Building will open in the fourth quarter of 2018 with 14,000 sf leased to Canadian Cancer Care. Along Calgary Trail, Faber Inc. fully occupies a newly constructed 7,500 sf three-story office building north of 58 Avenue. Also on

Calgary Trail, construction has begun on EPC Southtrail Plaza with 56,000 sf of commercial space, including second floor offices, available for pre-leasing.

Office space in the mixed-use West Block project will be ready for occupancy in 2019. The project is experiencing high demand with approximately 30,000 sf of office commitments.

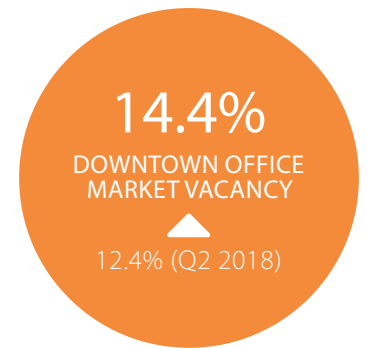
On Whyte Avenue, Wexford Developments' Raymond Block is nearing completion with 22,000 sf of second floor office space available for lease. **In the nearby Plaza 82, video game developer Beamdog leased 11,000 sf of third floor office space.**

In the summerside district, the 60,000-sf HealthPointe Building in Edmonton Business Campus is complete and fully leased. Forbes Place, in Ellerslie Industrial, is expecting completion in November and has 14,000 sf of office space available.

The Savona Centre in Sherwood Park is part of a three building development by Salvi Group that is comprised of main floor retail and 20,000 sf of fully leased second and third floor office space. Positive absorption in Sherwood Park is again concentrated in the **Broadmoor Place office park with 36,000 sf absorbed this quarter and 49,000 sf YTD.**



Office Stats



Gazing on any of Edmonton's historic commercial buildings can lead one to imagine the sounds of horse-drawn carts rolling by. While many early developments have been lost with time, pieces of the city's heritage live on in the bricks of century-old office buildings.



Image courtesy of Peel's Prairie Provinces, a digital initiative of the University of Alberta Libraries

Edmonton's Legacy Lives On

Around the turn of the 20th century, Edmonton, a fledgling city of 5,000 people, was only beginning to grow beyond its origins as a remote trading post. Since 1870, the Hudson's Bay Company held reserve over much of the land in present-day downtown and in the early 1900s, began selling parcels of land to developers looking to locate in the city centre. The newly available commercial land, combined with the completion of Edmonton's first railway in 1903 that connected the city to Calgary and neighbouring Strathcona, set the conditions for a real estate development boom that would last until the First World War in 1914.

In the years leading up to World War I, Edmonton's population and construction output rose dramatically. Population grew from 5,000 to over 70,000 people in a 10-year span as the local economy flourished and Edmonton established itself as Alberta's capital. In the early 1910s, at least two dozen warehouses were constructed

north of Jasper Avenue between 102 and 109 Street as the area became the industrial hub of the city. Although the wartime economy spelled a sudden end to the period of booming real estate, several of the commercial buildings erected a century ago still stand and in some cases, have been reimaged as modern office space while preserving their historical legacy.

The Town of Edmonton was established in 1894 and by 1905 was recognized as the provincial capital and commercial centre of Northern Alberta.



Image courtesy of Peel's Prairie Provinces, a digital initiative of the University of Alberta Libraries

Dorchester Building

The office building at the intersection of 109 Street and 104 Avenue now known as Dorchester Building was constructed in 1913 as an office and storage facility for one of the city's largest employers at the time, the International Harvester Company. The company maintained its operations

until the 1950s and the property was later purchased and renamed by Dorchester Investments. Presently, the historic warehouse is boutique office space with loft ceilings and a unique brick and beam interior. There are currently four units available for lease, for a total of 7,800 sf.



1913

2018

Molson Brewery

The Gothic-style brick brewery was constructed in 1913 by entrepreneur and former Mayor of Strathcona, William Henry Sheppard. The building was designed by German-born Bernard Barthel as a Germanic brew-castle specified by red brick, steel and reinforced concrete. In 1924, Sheppard built an Edwardian-style brick office adjacent to the brewery and later sold the properties to Lethbridge brewer Fritz Sick. In 1958,

the brewery and office were acquired by Molson who maintained its operation until 2007. Designated as Historical Resources, the buildings were protected from demolition after closure and are now the site of the Edmonton Brewery District, a multi-use retail/office development successfully completed by First Capital Realty and Sun Life. Leasing opportunities are available for spaces up to 20,000 sf.



1913

2018

Ernest Brown Block

Ernest Brown Block, completed in 1912, was one of the last commercial buildings erected during the pre-First World War construction boom. One of Alberta's most prominent photographers, Ernest Brown, established his photographic studio on the second floor with framing and enlarging studios in the basement. As an early example of a mixed-used commercial property, the main floor provided retail space while the third floor was apartment rentals. The building, located in the Quarters on

Jasper Avenue and now known as Brighton Block, is currently in the process of being restored by Primavera Development Group. Redevelopment efforts are focused on maintaining the building's Edwardian-style brick facade while adding three additional floors of commercial space. Expecting completion in 2019, Brighton Block will offer modern office and retail spaces overlooking the river valley. Leasing opportunities are available for up to 7,000 sf per unit, totalling over 36,000 sf of availability.



1912

2018

LeMarchand Mansion

René LeMarchand, an entrepreneur from France, arrived in Edmonton in 1905 and entered into Edmonton's booming real estate market shortly thereafter. He sought to build the most modern apartment building in Canada. Inspired by French Beaux-Arts style of architecture, the brick manor was recognized as one of the finest and most elegant buildings west of Toronto upon its opening in 1910. LeMarchand

Mansion featured Edmonton's first elevator and exterior windows in every suite. Following the Second World War, some suites were converted to office space. Today, the fully redeveloped office building hosts a variety of commercial tenants attracted to its uniquely historic features on the bank of Edmonton's river valley. There are currently four units available for lease totalling 8,000 sf.



1910

2018

	Buildings	Total Inventory	Direct Vacancy	Sublease Vacancy	Absorption (YTD)	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Additional Rent* (Op. Costs & Property Tax)	Average* Asking Rates
Financial										
AAA**	4	2,403,978	343,603	0	463,213	14.3% ▲ 2.2%	14.3% ▲ 2.2%	- - -	\$19.50 - -	\$35.00 - -
A	23	7,333,051	867,666	329,750	132,221	16.3% ▲ 0.3%	11.8% ▼ (0.6%)	4.5% ▲ 0.9%	\$18.75 ▲ \$0.25	\$21.75 ▼ (\$0.50)
B	16	1,988,921	181,408	0	30,467	9.1% ▼ (1.2%)	9.1% ▼ (1.2%)	- - -	\$17.00 - -	\$16.25 ▲ \$0.75
C	16	1,078,675	58,771	0	(7,412)	5.4% ▲ 0.3%	5.4% ▲ 0.9%	- ▼ (0.6%)	\$16.50 ▲ \$0.25	\$15.00 ▼ (\$0.50)
SUBTOTAL:	59	12,804,625	1,451,448	329,750	618,489	13.9% ▲ 0.3%	11.3% ▼ (0.3%)	2.6% ▲ 0.7%	\$18.50 ▲ \$0.25	\$22.75 ▲ \$0.25
Government										
A	15	2,706,416	262,659	330,675	(252,081)	21.9% ▲ 10.0%	9.7% ▼ (0.2%)	12.2% ▲ 10.2%	\$15.50 - -	\$16.75 ▼ (\$0.25)
B	16	1,609,578	244,639	1,263	(41,925)	15.3% ▲ 2.2%	15.2% ▲ 2.2%	0.1% - -	\$14.75 - -	\$15.00 - -
C	22	1,242,324	21,059	0	9,800	1.8% ▼ (0.6%)	1.8% ▼ (0.6%)	- - -	\$13.50 - -	\$12.25 ▼ (\$0.25)
SUBTOTAL:	53	5,558,318	528,357	331,938	(284,206)	15.5% ▲ 5.6%	9.5% ▲ 0.3%	6.0% ▲ 5.0%	\$14.75 - -	\$15.25 ▼ (\$0.25)
Suburban										
118 Ave & Kingsway	22	817,033	108,364	0	(1,519)	13.3% ▲ 4.1%	13.3% ▲ 4.1%	- - -	\$13.00 ▼ (\$0.25)	\$16.50 ▲ \$1.25
124 Street	27	1,030,896	140,217	9,006	(28,330)	14.5% ▲ 1.9%	13.6% ▲ 1.0%	0.9% ▲ 0.9%	\$15.25 ▲ \$0.25	\$15.75 ▲ \$0.25
149 Street	39	1,339,504	173,084	3,482	54,082	13.2% ▼ (0.4%)	12.9% ▼ (0.5%)	0.3% ▲ 0.1%	\$11.75 ▼ (\$0.25)	\$13.75 ▼ (\$0.50)
Eastgate	18	1,375,954	229,460	154,251	(39,202)	27.9% - -	16.7% - -	11.2% - -	\$12.25 - -	\$15.00 - -
Southside	82	3,654,896	650,861	91,356	(71,367)	20.3% ▲ 2.5%	17.8% ▲ 0.9%	2.5% ▲ 1.7%	\$13.25 ▲ \$0.25	\$17.00 ▼ (\$0.50)
Summerside	32	1,043,317	174,045	11,859	(19,496)	17.8% ▲ 3.6%	16.7% ▲ 3.7%	1.1% ▼ (0.1%)	\$12.25 ▼ (\$0.75)	\$20.25 ▼ (\$0.25)
Windermere	12	348,042	28,580	0	13,950	8.2% ▼ (0.8%)	8.2% ▼ (0.8%)	- - -	\$13.50 - -	\$25.25 - -
West End	42	2,108,629	158,812	2,167	26,242	7.6% ▼ (0.2%)	7.6% ▼ (0.2%)	0.1% - -	\$11.25 ▲ \$0.50	\$16.00 ▲ \$0.50
Whyte Avenue	17	663,031	158,209	0	(17,357)	17.4% ▲ 3.4%	17.4% ▲ 3.4%	- - -	\$18.50 ▼ (\$0.50)	\$19.25 ▼ (\$0.25)
Sherwood Park	33	1,329,312	308,803	0	66,792	23.2% ▼ (3.0%)	23.2% ▼ (3.0%)	- - -	\$9.50 - -	\$16.50 - -
Totals										
Downtown Total:	112	18,362,943	1,979,805	661,688	334,283	14.4% ▲ 2.0%	10.8% ▲ 0.2%	3.6% ▲ 1.9%	\$17.25 ▲ \$0.25	\$20.00 ▼ (\$0.50)
Suburban Total:	324	13,710,614	2,130,435	272,121	(16,205)	17.2% ▲ 1.1%	15.2% ▲ 0.7%	2.0% ▲ 0.5%	\$12.50 ▼ (\$0.25)	\$16.75 - -
Overall:	436	32,073,557	4,110,240	933,809	318,078	15.6% ▲ 1.5%	12.7% ▲ 0.4%	2.9% ▲ 1.2%	\$15.50 - -	\$19.00 ▲ \$0.25

**AAA Class office buildings include Edmonton Tower, Epcor Tower, Enbridge Centre and Stantec Tower.

*Weighted average based on current availabilities.

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